

LEAMINGTON TOWN
FINANCIAL STATEMENTS
JUNE 30, 2006

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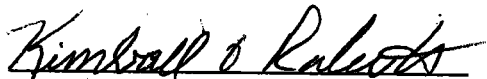
Honorable Mayor and Town Council
Leamington Town
Leamington, Utah 84638

We have compiled the accompanying financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of Leamington Town as of and for the year ended June 30, 2006, which collectively comprise the Town's basic financial statements as listed in the table of contents, in accordance with *Statements on Standards for Accounting and Review Services* issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion, or any other form of assurance, on them.

As described in Note 1 to the basic financial statements, the Town adopted Governmental Accounting Standards Board Statements No. 33 and 34 and GASB interpretation 6 as of and for the year ending June 30, 2006.

The management's discussion and analysis and budgetary comparison information, on pages 4 through 13 and 35 through 37 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have compiled the supplementary information from information that is the representation of management, without audit or review. Accordingly, we do not express an opinion or any other form of assurance on the supplementary information.



KIMBALL & ROBERTS, P. C.
Certified Public Accountants

Richfield, Utah
October 31, 2006

**LEAMINGTON TOWN
MANAGEMENT'S DISCUSSION AND ANALYSIS
For The Year Ended June 30, 2006**

This discussion of Leamington Town's financial performance provided an overview of the Town's financial activities for the year ending June 30, 2006. This report is in conjunction with the Town's financial statements.

The Town's purpose is to provide general services to its residents which includes general government, public safety, highways and streets, culture and recreation.

Financial Highlights

- * The assets of the Town exceeded its liabilities as of the close of the most recent year by \$528,243 (net assets). Of this amount, \$276,159 (unrestricted net assets) which may be used to meet its ongoing obligations to citizens and creditors.
- * The government's total net assets increased by \$15,039. The revenues were less than the adopted budgeted amounts, and expenditures were more than the adopted budgeted amounts in the general fund.
- * At the close of the current year, the Town's governmental funds reported ending fund balances of \$214,343, a decrease of \$10,001 in comparison with the prior year. At year end, the general fund had an unreserved fund balance of \$24,173.
- * The Town's total debt increased by \$8,063 during the current year.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private sector business.

The *statement of net assets* presents information on all of the Town's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges.

The governmental activities of the Town include general government, public safety, highways and streets, culture and recreation. The business-type activity of the Town is culinary water operations.

Refer to the table of contents for the location of the government-wide financial statements.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into two categories: governmental funds and enterprise funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statement, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on balance of spendable resources available at the end of the year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditure, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Leamington Town maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and capital project fund.

The Town adopts an annual appropriated budget for its governmental funds. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with those budgets.

Refer to the table of contents for the location of the basic governmental fund financial statements.

Proprietary Funds

Leamington Town maintains one proprietary fund. Enterprise funds are used to report the same functions presented as *business-type activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water operations.

Refer to the table of contents for the location of the basic proprietary fund financial statements.

Notes To The Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes are part of the basic financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the Town.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Leamington Town's, assets exceeded liabilities by \$582,243 at the close of the most recent fiscal year. One of the larger portions of the Town's net assets (27 percent) reflects its investment in capital assets (e.g. land, buildings, machinery, equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

A portion of the Town's net assets, 21 percent, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$276,159, may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the year, the Town is able to report positive balances in all three categories of net assets.

Leamington Town's Net Assets

Information for comparative data is not available. It will be shown in later years.

	Governmental Activities <u>2006</u>	Business-Type Activities <u>2006</u>	Total <u>2006</u>
Current and Other Assets:	214,343	173,460	387,803
Capital Assets	<u>153,908</u>	<u>43,537</u>	<u>197,445</u>
Total Assets	<u>368,251</u>	<u>216,997</u>	<u>585,248</u>
Long-Term Liabilities	-	56,447	56,447
Other Liabilities	<u>-</u>	<u>558</u>	<u>558</u>
Total Liabilities	<u>-</u>	<u>57,005</u>	<u>57,005</u>
Net Assets:			
Invested in Capital Assets			
Net of Related Debt	153,908	(12,910)	140,998
Restricted	111,086	-	111,086
Unrestricted	<u>103,257</u>	<u>172,902</u>	<u>276,159</u>
Total Net Assets	<u>368,251</u>	<u>159,992</u>	<u>528,243</u>

Governmental Activities

Governmental activities decreased Leamington Town's net assets by \$16,312.

Leamington Town Changes in Net Assets

Comparative data is not available. It will be shown in later years.

	Governmental Activities 2006	Business-Type Activities 2006	Total 2006
Revenues:			
Program Revenues:			
Charges for Services	17,475	28,592	46,067
Operating Grants	16,732	-	16,732
Capital Grants	15,359	-	15,359
General Revenues:			
Property Taxes	4,642	-	4,642
Other Taxes	20,182	-	20,182
Unrestricted Investment Earnings	3,085	1,205	4,290
Total Revenues	77,475	29,797	107,272
Expenses:			
General Government	16,118	-	16,118
Public Safety	19,695	-	19,695
Highways & Streets	7,950	-	7,950
Parks and Recreation	20,024	-	20,024
Water	-	28,446	28,446
Total Expenses	63,787	28,446	92,233
Increase in Net Assets Before Transfers	13,688	1,351	15,039
Transfers	(30,000)	30,000	-
Increase in Net Assets	(16,312)	31,351	15,039
Net Assets - Beginning	384,563	128,641	513,204
Net Assets - Ending	368,251	159,992	528,243

* The Town received operating grants of \$16,732. Of this amount, \$9,316 was received for Class C roads, and \$7,416 for fire protection. A capital grant of \$15,359 was received for fire protection equipment.

For the most part, increases in expenses closely paralleled inflation and growth in the demand for services.

Business-Type Activities

Business-type activities increased the Town's net assets by \$31,351.

* For the most part, increases in expenses closely paralleled inflation and growth in the demand for services for water.

* The depreciation in the enterprise fund was \$15,211.

Financial Analysis of the Government's Funds

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the Town's *governmental funds* is to provide information on near-term inflows, outflows and balances of *spendable* resources. Such information is useful in assessing the Town's financing requirements. In particular *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the year.

At the end of the year, the Town's governmental funds reported combined ending fund balance of \$214,343, a decrease of \$10,001 in comparison with the prior year. At the end of this fiscal year the general fund had an unreserved fund balance of \$24,173, and reserved fund balance for Class C roads of \$111,086. Management has designated \$11,600 for Leamorado Days celebration and \$1,569 for the Town museum.

Proprietary Funds

The Town's proprietary fund provides the same type of information found in the government-wide financial statements but in more detail.

Unrestricted net assets of the water fund at the end of the year was \$172,902. Other factors concerning the finances of these funds has already been addressed in the discussion of the Town's business-type activities.

General Fund Budgetary Highlights

The difference between the original budget and the final amended budget was \$46,203.

Actual revenues were less than budgeted revenues by \$9,513 and actual expenditures were more than budgeted expenditures by \$12,607 resulting in a net decrease in fund balance of \$22,120.

Capital Asset and Debt Administration

Capital Assets

Leamington Town's investment in capital assets for its governmental activities as of June 30, 2006, was \$153,908 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, equipment and infrastructure, which includes roads and streets.

Leamington Town's Capital Assets (net of depreciation)

	Governmental Activities 2006	Business-Type Activities 2006	Total 2006
Land	47,395	500	47,895
Water Share	8,000		8,000
Infrastructure	30,375	-	30,375
Buildings	49,838	837	50,675
Water System	-	42,200	42,200
Equipment	18,300	-	18,300
Total	153,908	43,537	197,445

Additional information on the Town's capital assets can be found in the notes to the financial statements.

Long -Term Debt

At the end of the current year, the Town's had total bonded debt outstanding of \$56,447. The debt represents bonds secured solely by specified revenue sources (i.e. revenue bonds).

Leamington Town's Long-Term Debt

	<u>Governmental</u> <u>Activities</u> <u>2006</u>	<u>Business-Type</u> <u>Activities</u> <u>2006</u>	<u>Total</u> <u>2006</u>
Revenue Bonds	<u>-</u>	<u>56,447</u>	<u>56,447</u>

State statutes limit the amount of general obligation debt a governmental entity may issue to 12 percent of its total fair market value of taxable property in the Town. The Town has no general obligation debt.

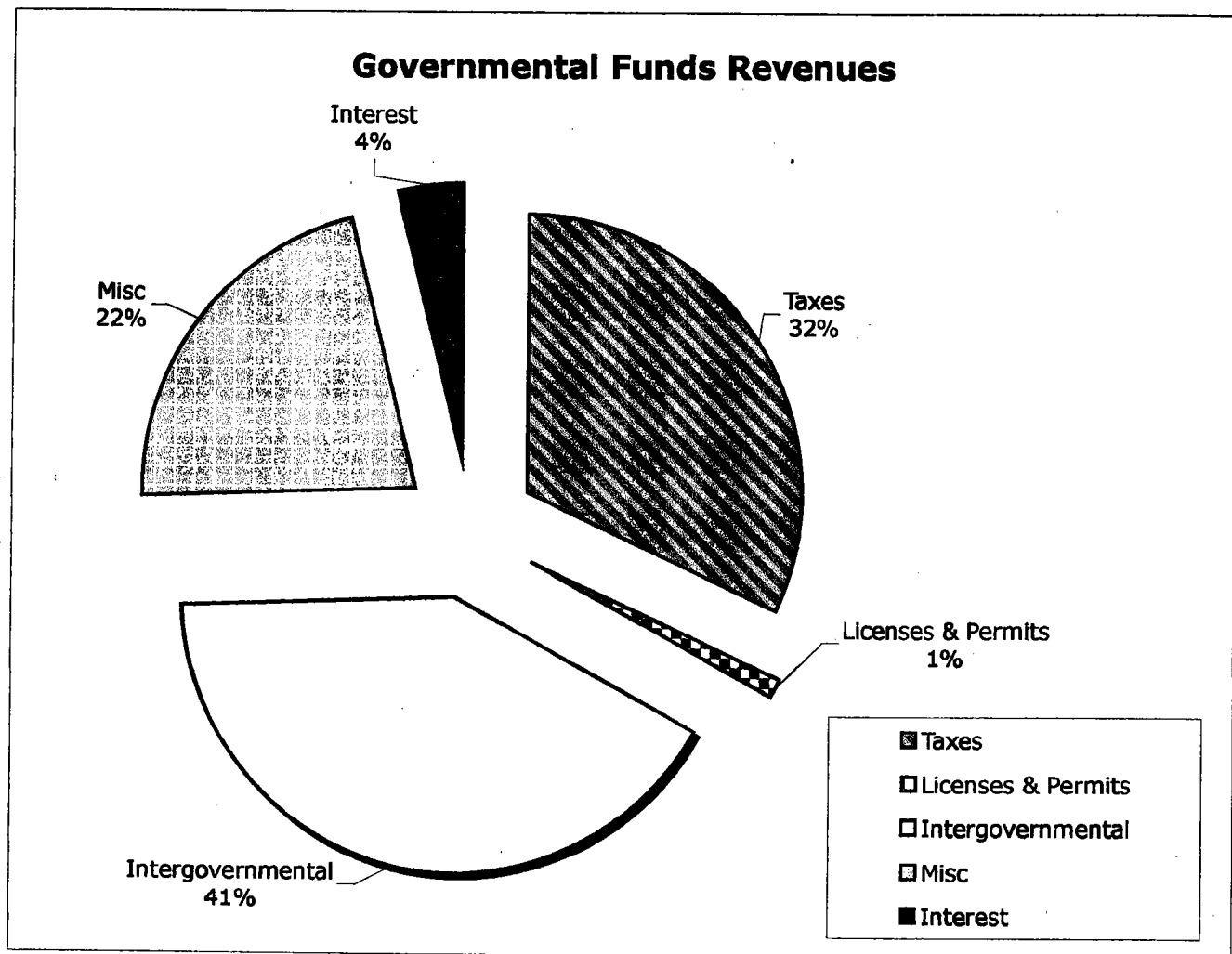
Additional information on Leamington Town's long-term debt can be found in the notes of the financial statements.

Request for Information

This financial report is designed to provide a general overview of Leamington Town's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Leamington Town Clerk, P.O. Box 38101, Leamington, Utah, 84638.

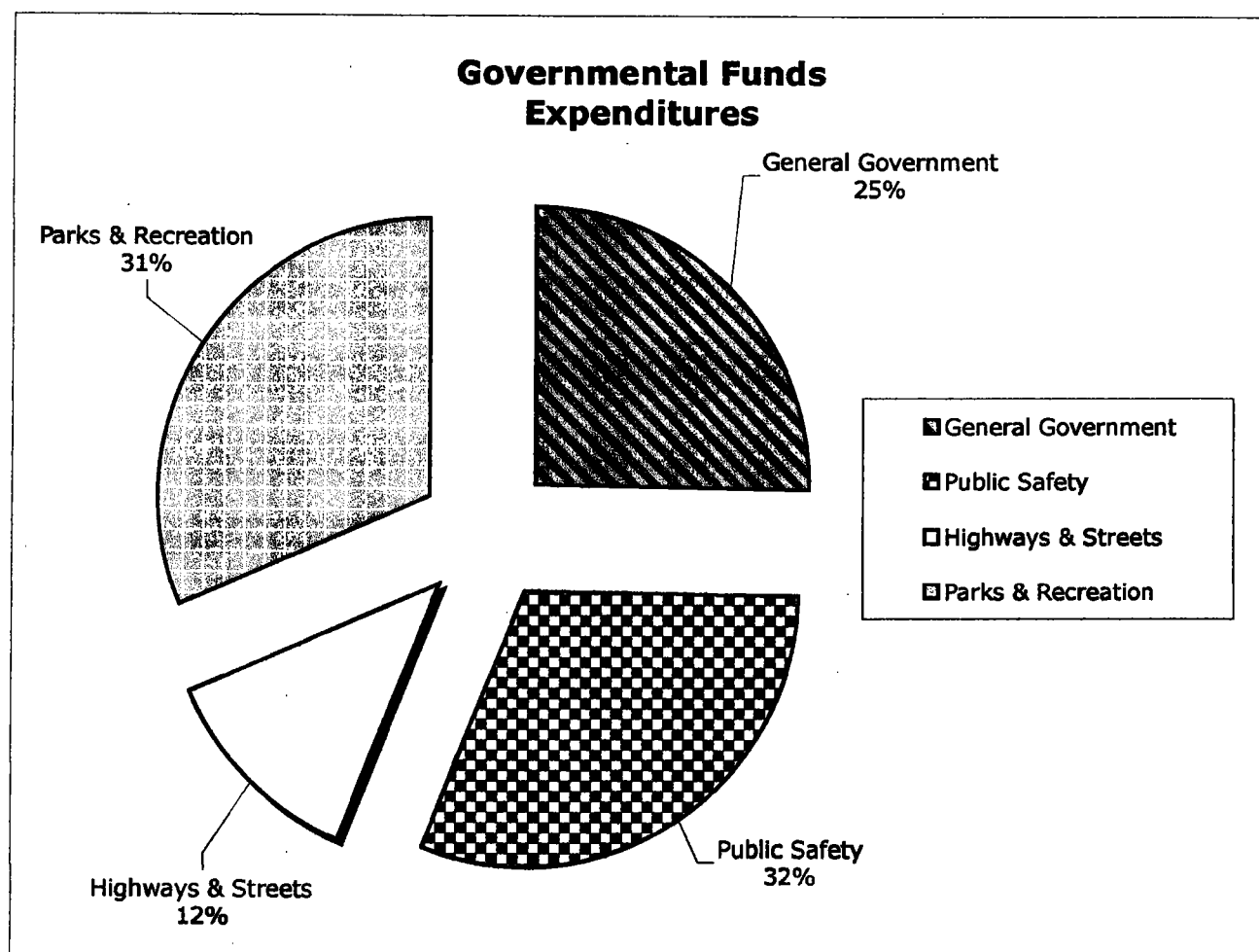
**Leamington Town
Governmental Funds Revenues
For The Fiscal Year Ended June 30, 2006**

Taxes	24,824
Licenses & Permits	689
Intergovernmental	32,091
Misc	16,786
Interest	<u>3,085</u>
Total	<u>77,475</u>



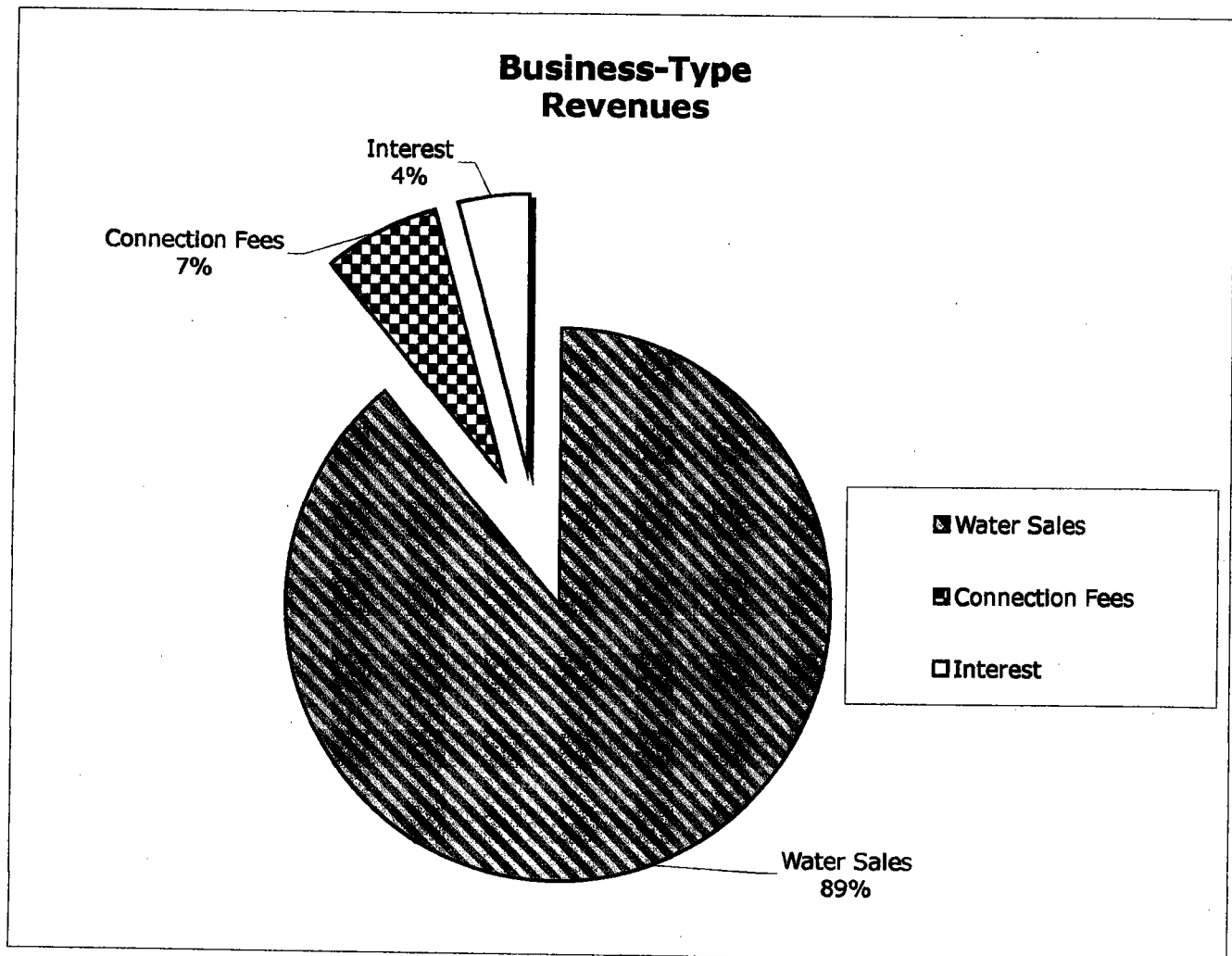
Leamington Town
Governmental Funds Expenditures
For The Fiscal Year Ended June 30, 2006

General Government	16,118
Public Safety	19,695
Highways & Streets	7,950
Parks & Recreation	<u>20,024</u>
Total	<u><u>63,787</u></u>



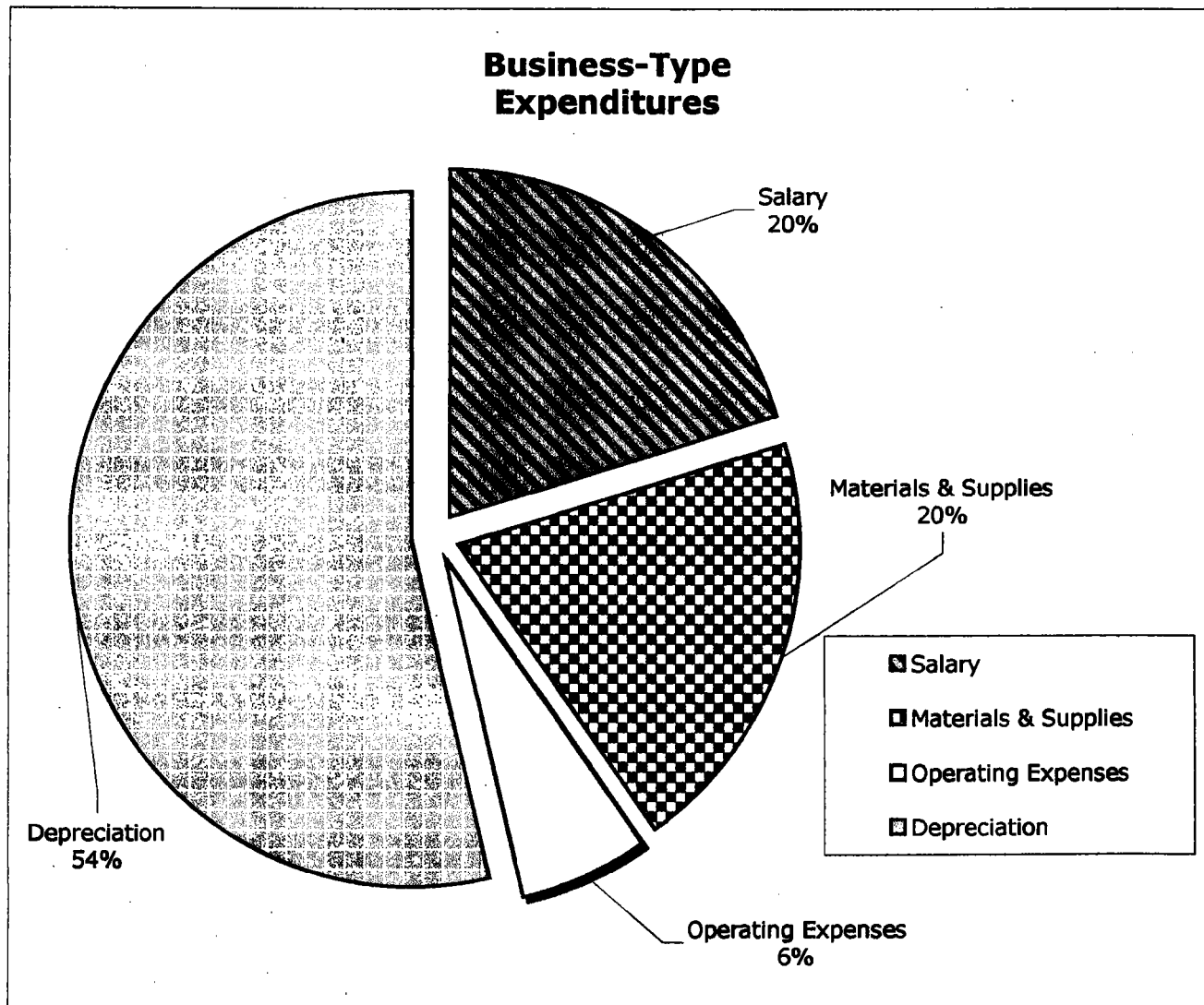
**Leamington Town
Business-Type Revenues
For The Fiscal Year Ended June 30, 2006**

Water Sales	26,492
Connection Fees	2,100
Interest	<u>1,205</u>
Total	<u><u>29,797</u></u>



**Leamington Town
Business-Type Expenditures
For The Fiscal Year Ended June 30, 2006**

Salary	5,767
Materials & Supplies	5,665
Operating Expenses	1,803
Depreciation	<u>15,211</u>
Total	<u><u>28,446</u></u>



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is used to assist in formatting, for easier reading)



BASIC FINANCIAL STATEMENTS

**LEAMINGTON TOWN
STATEMENT OF NET ASSETS**

June 30, 2006

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets:			
Cash and Cash Equivalents	213,694	167,930	381,624
Accounts Receivable (Net)	-	5,530	5,530
Due From Other Governmental Units	649	-	649
Total Current Assets	214,343	173,460	387,803
Noncurrent Assets:			
Capital Assets (Net of Accumulated Depreciation):			
Land	47,395	500	47,895
Water Shares	8,000	-	8,000
Buildings	49,838	837	50,675
Water System	-	42,200	42,200
Equipment	18,300	-	18,300
Infrastructure	30,375	-	30,375
Total Noncurrent Assets	153,908	43,537	197,445
TOTAL ASSETS	368,251	216,997	585,248
LIABILITIES			
Current Liabilities:			
Note Payable - Due Within One Year	-	558	558
Revenue Bonds Payable - Due Within One Year	-	4,032	4,032
Total Current Liabilities	-	4,590	4,590
Noncurrent Liabilities:			
Revenue Bonds Payable - Due More Than One Year	-	52,415	52,415
Total Noncurrent Liabilities	-	52,415	52,415
TOTAL LIABILITIES	-	57,005	57,005
NET ASSETS			
Investment in Capital Assets, Net of Debt	153,908	(12,910)	140,998
Restricted For:			
Class C Road	111,086	-	111,086
Unrestricted	103,257	172,902	276,159
TOTAL NET ASSETS	368,251	159,992	528,243
TOTAL LIABILITIES AND NET ASSETS	368,251	216,997	585,248

See accompanying notes and accountant's report.

**LEAMINGTON TOWN
STATEMENT OF ACTIVITIES**

For The Fiscal Year Ended June 30, 2006

Function/Programs Primary Government:	Program Revenues			Net (Expense) Revenues and		
	Expenses	Charges for Services	Operating Grants/Capital Grants/Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:						
General Government	16,118	16,786	-	668	-	668
Public Safety	19,695	689	15,359	3,769	-	3,769
Highways and Streets	7,950	-	-	1,366	-	1,366
Culture and Recreation	20,024	-	-	(20,024)	-	(20,024)
Total Governmental Activities	63,787	17,475	15,359	(14,221)	-	(14,221)
Business-Type Activities:						
Water Fund	28,446	28,592	-	-	146	146
Total Primary Government	92,233	46,067	15,359	(14,221)	146	(14,075)
General Revenues:						
Property Taxes				4,642	-	4,642
Fee-In-Lieu				1,496	-	1,496
Sales Taxes				18,686	-	18,686
Unrestricted Investment Earnings				3,085	1,205	4,290
Transfers In (Out)				(30,000)	30,000	-
Total General Revenues and Transfers				(2,091)	31,205	29,114
Change in Net Assets				(16,312)	31,351	15,039
Net Assets - Beginning				384,563	128,641	513,204
Net Assets - Ending				368,251	159,992	528,243

See accompanying notes and accountant's report.

**LEAMINGTON TOWN
BALANCE SHEET
GOVERNMENTAL FUNDS**

For The Fiscal Year Ended June 30, 2006

	<u>General Fund</u>	<u>Capital Project Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and Cash Equivalents	147,779	65,915	213,694
Due from Other Governmental Units	<u>649</u>	<u>-</u>	<u>649</u>
TOTAL ASSETS	<u><u>148,428</u></u>	<u><u>65,915</u></u>	<u><u>214,343</u></u>
LIABILITIES AND FUND BALANCES			
Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:			
Reserved For:			
Class "C" Road	111,086	-	111,086
Designated For:			
Leamarado Days	11,600	-	11,600
Museum	1,569	-	1,569
Unreserved	<u>24,173</u>	<u>65,915</u>	<u>90,088</u>
Total Fund Balance	<u><u>148,428</u></u>	<u><u>65,915</u></u>	<u><u>214,343</u></u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>148,428</u></u>	<u><u>65,915</u></u>	<u><u>214,343</u></u>

See accompanying notes and accountant's report.

LEAMINGTON TOWN
BALANCE SHEET RECONCILIATION TO STATEMENT OF NET ASSETS

June 30, 2006

Total Fund Balances - Governmental Fund Types	214,343
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Amounts reported for governmental activities in the statement of net assets
are different because:

Capital assets used in governmental activities are not financial resources
and, therefore, are not reported in the funds:

Land	47,395	
Water Shares	8,000	
Buildings	49,838	
Equipment	18,300	
Infrastructure	<u>30,375</u>	

Total		<u>153,908</u>
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Net Assets of Government Activities	<u><u>368,251</u></u>
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LEAMINGTON TOWN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

For The Fiscal Year Ended June 30, 2006

	General Fund	Capital Projects Fund	Total Governmental Funds
Revenues:			
Taxes	24,824	-	24,824
Licenses and Permits	689	-	689
Intergovernmental Revenue	32,091	-	32,091
Interest	1,600	1,485	3,085
Rents and Concessions	340	-	340
Miscellaneous Revenues	16,446	-	16,446
	<u>75,990</u>	<u>1,485</u>	<u>77,475</u>
Total Revenues			
	<u>75,990</u>	<u>1,485</u>	<u>77,475</u>
Expenditures:			
Current:			
General Government	14,357	-	14,357
Public Safety	19,695	-	19,695
Highways and Streets	4,575	-	4,575
Culture and Recreation	18,849	-	18,849
	<u>57,476</u>	<u>-</u>	<u>57,476</u>
Total Expenditures			
	<u>57,476</u>	<u>-</u>	<u>57,476</u>
Excess Revenues Over (Under)			
Expenditures	18,514	1,485	19,999
Other Financing Sources (Uses):			
Transfers In (Out)	(40,634)	10,634	(30,000)
	<u>(40,634)</u>	<u>10,634</u>	<u>(30,000)</u>
Net Change In Fund Balance			
	<u>(22,120)</u>	<u>12,119</u>	<u>(10,001)</u>
Fund Balance - Beginning	170,548	53,796	224,344
	<u>170,548</u>	<u>53,796</u>	<u>224,344</u>
Fund Balance - Ending	148,428	65,915	214,343
	<u>148,428</u>	<u>65,915</u>	<u>214,343</u>

See accompanying notes and accountant's report.

LEAMINGTON TOWN
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For The Fiscal Year Ended June 30, 2006

Amounts reported for governmental activities in the statement of activities
are different because:

Net Changes in Fund Balances - Total Governmental Funds	(10,001)
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Governmental funds report capital outlays as expenditures. However, in
the statement of activities the cost of those assets is allocated over their
estimated useful lives and reported as depreciation expense. This is the
amount by which capital outlays exceeded depreciation in the current period:

Depreciation Expense	<u>(6,311)</u>	
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Total	<u>(6,311)</u>	
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Changes In Net Assets of Governmental Activities	<u><u>(16,312)</u></u>
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**LEAMINGTON TOWN
STATEMENT OF NET ASSETS
PROPRIETARY FUND**

June 30, 2006

	Business-Type Activity <u>Enterprise Fund</u>	<u>Water Fund</u>
ASSETS:		
Current Assets:		
Cash and Cash Equivalents	167,930	
Accounts Receivable	<u>5,530</u>	
Total Current Assets		<u>173,460</u>
Noncurrent Assets:		
Capital Assets: (Net of Accum. Depr.)		
Land	500	
Buildings	837	
Water Distribution System	<u>42,200</u>	
Total Noncurrent Assets		<u>43,537</u>
TOTAL ASSETS		<u><u>216,997</u></u>
LIABILITIES:		
Current Liabilities:		
Accounts Payable	558	
Bonds Payable - Current Portion	<u>4,032</u>	
Total Current Liabilities		<u>4,590</u>
Noncurrent Liabilities:		
Bonds Payable - Long-Term Portion	<u>52,415</u>	
Total Noncurrent Liabilities		<u>52,415</u>
TOTAL LIABILITIES		<u>57,005</u>
NET ASSETS:		
Unrestricted	<u>159,992</u>	
TOTAL NET ASSETS		<u>159,992</u>
TOTAL LIABILITIES AND NET ASSETS		<u><u>216,997</u></u>

See accompanying notes and accountant's report.

**LEAMINGTON TOWN
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND**

June 30, 2006

	<u>Business-Type Activity Enterprise</u>
	<u>Water Fund</u>
Operating Revenues:	
Charges for Sales and Services:	
Water Fees	26,492
Connection Fees	<u>2,100</u>
Total Operating Revenues	<u>28,592</u>
Operating Expenses:	
Salaries	5,767
Materials and Supplies	5,665
Other	1,803
Depreciation	<u>15,211</u>
Total Operating Expenses	<u>28,446</u>
Operating Income	<u>146</u>
Nonoperating Revenues (Expenses):	
Interest Income	<u>1,205</u>
Total Nonoperating Revenues (Expenses)	<u>1,205</u>
Income Before Transfers	1,351
Transfer In	<u>30,000</u>
Change in Net Assets	31,351
Total Net Assets - Beginning	<u>128,641</u>
Total Net Assets - Ending	<u><u>159,992</u></u>

See accompanying notes and accountant's report.

**LEAMINGTON TOWN
STATEMENT OF CASH FLOWS
PROPRIETARY FUND**

June 30, 2006

	Business-Type Activity Enterprise
	<u>Water Fund</u>
Cash Flows From Operating Activities:	
Receipts From Customers	32,974
Payments to Suppliers	(11,736)
Payments to Employees	<u>(5,767)</u>
Net Cash Provided by Operating Activities	<u>15,471</u>
Cash Flows from Noncapital Financing Activities:	
Transfer from Other Funds	<u>30,000</u>
Net Cash Provided by Noncapital Financing Activities	<u>30,000</u>
Cash Flows From Capital and Related Financing Activities:	
Principal Paid on Capital Debt	<u>(8,063)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(8,063)</u>
Cash Flows from Investing Activities:	
Interest Received	<u>1,205</u>
Net Cash Used in Investing Activities	<u>1,205</u>
Net Increase (Decrease) in Cash and Cash Equivalents	38,613
Cash and Cash Equivalents - Beginning	<u>129,317</u>
Cash and Cash Equivalents - Ending	<u><u>167,930</u></u>
Reconciliation of Operating Income to Net Cash Provided (Used) By Operating Activities:	
Operating Income	<u>146</u>
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) By Operating Activities:	
Depreciation	15,211
Increase (Decrease) in Operating Assets:	
Accounts Receivable	4,382
Accounts Payable	<u>(4,268)</u>
Total Adjustments	<u>15,325</u>
Net Cash Provided (Used) by Operating Activities	<u><u>15,471</u></u>

See accompanying notes and accountant's report.

**LEAMINGTON TOWN
NOTES TO FINANCIAL STATEMENTS**

June 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Leamington Town conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant policies:

The accompanying basic financial statements present the financial position of various fund types and the results of operations of the various fund types. The basic financial statements are presented for the year ended June 30, 2006.

The following is a summary of the more significant policies:

A. Reporting Entity

Leamington Town is a municipal corporation in Millard County, Utah. It is governed by an elected Mayor and four member board. As required by generally accepted accounting principles, these financial statements are of the primary government, Leamington Town, the reporting entity. The Town has no component units.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., statement of net assets and statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

LEAMINGTON TOWN
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and accrual basis of accounting as are the proprietary fund and the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, Leamington Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenues items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Capital Projects Fund account for the acquisition of fixed assets or construction of major capital improvements not being financed by proprietary or nonexpendable trust funds.

The Government reports the following Proprietary Funds:

The Utility Funds accounts for the activities of the Town water operations. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water funds are charges to customers for services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

LEAMINGTON TOWN
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities and Net Assets or Equity

Deposits and Investments:

The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the government to invest in obligations of the U. S. Treasury, commercial paper, corporate bonds, repurchase agreements and the State Treasurer's Investment Pool.

Investments for the government, as well as for its component units, are reported at fair value. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

Capital Assets:

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

LEAMINGTON TOWN
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment of the primary government, as well as the component units, is depreciated using the straight line method over the following estimated useful lives:

Buildings	30 - 40 Years
Water System	30 Years
Machinery and Equipment	20 Years
Infrastructure	20 Years

Long-Term Obligations:

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets.

In the fund financial statement, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, if any, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity:

In the fund financial statements, governmental funds report reservations of fund balance for amounts not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designation of fund balance represent tentative management plans that are subject to change.

E. Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

F. Property Taxes

Property taxes are assessed and collected for the Town by Millard County and remitted to the Town shortly after collection. Property taxes become a lien on January 1 and are levied on the first Monday in August. Taxes are due and payable on November 1, and are delinquent after November 30. All dates are in the year of levy.

LEAMINGTON TOWN
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Budgets and Budgetary Accounting:

Annual budgets are prepared and adopted by ordinance by total for each department, in accordance with State law, by the Mayor and Town Board on or before June 22 for the following Fiscal year beginning July 1. Estimated revenues and appropriations may be increased or decreased by resolution of the Town Board at any time during the year. A public hearing must be held prior to any proposed increase in a fund's appropriations. Budgets include activities in the General Fund. The level of the Town's budgetary control (the level at which the Town's expenditures cannot legally exceed appropriations) is established at the department level. Each department head is responsible for operating within the budget for their department. All annual budgets lapse at fiscal year end.

Some Towns find themselves with a deficit fund balance in one or more of their funds. The State Auditor has taken the position that a deficit, created by expenditures being made in excess of those budgeted, is an illegally created debit in violation of the Utah Constitution, Section XIV(3). As such, the total illegally created deficit should be budgeted to be made up in the following fiscal year. Deficits arising from emergencies are not illegal and may be retired over 5 years. Maximum in the general funds may not exceed 75% of the total estimated revenue of the general fund.

Once adopted, the budget may be amended by the Town Board without hearing provided the budgeted expenditures do not exceed budgeted revenues and appropriated fund balance. A public hearing must be held if the budgeted expenditures will exceed budgeted revenues and any fund balance which is available for budgeting. With the consent of the Mayor, department heads may reallocate unexpended appropriated balances from one expenditure account to another within that department during the budget year. Budgets for the General Fund are prepared on the modified accrual basis of accounting. Encumbrances are not used.

NOTE 2 - DEPOSITS AND INVESTMENTS

The Town maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Cash and Cash Equivalents".

At year end, the carrying amount of the Town's deposits were \$381,624 and the bank balances were \$381,624. Of the bank balances \$200,000 was covered by federal depository insurance. Utah State statutes do not require deposits to be collateralized, however, financial institutions must be approved by the Money Management Council.

Cash and investments as of June 30, 2006, consist of the following:

	<u>Fair Value</u>
Demand Deposits	<u>381,624</u>

LEAMINGTON TOWN
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Cash and investments listed above are classified in the accompanying government-wide statement of net assets as follows:

Governmental Activities - Unrestricted	213,694
Business-Type Activities - Unrestricted	<u>167,930</u>
Total Cash and Cash Equivalents	<u><u>381,624</u></u>

The Utah Money Management Act (UMMA) established specific requirements regarding deposits of public funds by public treasurers. UMMA requires that Town funds be deposited with a qualified depository which includes any depository institution which has been certified by the Utah State Commissioner of Financial Institutions as having met the requirements specified in UMMA Section 51, Chapter 7. UMMA provides the formula for determining the amount of public funds which a qualified depository may hold in order to minimize risk of loss and also defines capital requirements which an Institution must maintain to be eligible to accept public funds. UMMA lists the criteria for investments and specifies the assets which are eligible to be invested in, and for some investments, the amount of time to maturity.

Deposits and investments for local government are governed by the Utah Money Management Act (Utah Code Annotated, Title 51, Chapter 7, "the Act") and by rules of the Utah Management Council ("the Council"). Following are discussions of the local government's exposure to various risks related to its cash management activities.

Custodial Credit Risk:

Deposits - Custodial credit risk for deposits is the risk that in the event of a bank failure, the local government's deposits may not be recovered. The local government's policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of the local government to be in a qualified depository, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council. As of June 30, 2006, \$181,624 of the local government's bank balances of \$381,624 were uninsured and uncollateralized.

Credit Risk:

Credit risk is the risk that the counterparty of an investment will not fulfill its obligations. The local government's policy limiting the credit risk of investments is to comply with the Money Management Act.

Interest Rate Risk:

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The local government manages its exposure to declines in fair value by investments mainly in the PTIF and by adhering to the Money Management Act. The act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested.

LEAMINGTON TOWN
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Concentration of Credit Risk:

Concentration of credit risk the risk of loss attributed to the magnitude of a government's investments in a single issuer. PTIF falls under the constraints of UMMA in limiting concentrations of investments.

NOTE 3 - CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2006, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	47,395	-	-	47,395
Water Shares	8,000	-	-	8,000
Total Capital Assets Not Being Depreciated	<u>55,395</u>	<u>-</u>	<u>-</u>	<u>55,395</u>
Capital Assets Being Depreciated:				
Buildings	65,450	-	-	65,450
Equipment	26,000	-	-	26,000
Infrastructure	67,500	-	-	67,500
Total Capital Assets Being Depreciated	<u>158,950</u>	<u>-</u>	<u>-</u>	<u>158,950</u>
Less Accumulated Depreciation For:				
Buildings	13,976	1,636	-	15,612
Equipment	6,400	1,300	-	7,700
Infrastructure	33,750	3,375	-	37,125
Total Accumulated Depreciation	<u>54,126</u>	<u>6,311</u>	<u>-</u>	<u>60,437</u>
Total Capital Assets Being Depreciated (Net)	<u>104,824</u>	<u>(6,311)</u>	<u>-</u>	<u>98,513</u>
Governmental Activities Capital Assets, Net	<u>160,219</u>	<u>(6,311)</u>	<u>-</u>	<u>153,908</u>

LEAMINGTON TOWN
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 3 - CAPITAL ASSETS (CONTINUED)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Business Type Activities:				
Capital Assets Not Being Depreciated:				
Land	500	-	-	500
Total Capital Assets Not Being Depreciated	500	-	-	500
Capital Assets Being Depreciated:				
Buildings	5,600	-	-	5,600
Water System	450,722	-	-	450,722
Total Capital Assets Being Depreciated	456,322	-	-	456,322
Less Accumulated Depreciation For:				
Buildings	4,576	187	-	4,763
Water System	393,498	15,024	-	408,522
Total Accumulated Depreciation	398,074	15,211	-	413,285
Total Capital Assets Being Depreciated (Net)	58,248	(15,211)	-	43,037
Business Type Activities Capital Assets, Net	58,748	(15,211)	-	43,537
Total Capital Assets	218,967	(21,522)	-	197,445

LEAMINGTON TOWN
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 3 - CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to functions of the Primary Government as follows:

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
General Government	1,761	-	1,761
Highways and Public Improvements	3,375	15,211	18,586
Parks and Recreation	1,175	-	1,175
Total Depreciation Expense	<u>6,311</u>	<u>15,211</u>	<u>21,522</u>

NOTE 4 - BONDS PAYABLE

Water Revenue Bond:

The Town issued \$130,000 Water Revenue Bond issued to the State of Utah Permanent Community Impact Fund (CIB) due in annual installments of \$4,032 for 20 years beginning July 1, 1990; no interest; payable to the Utah State Department of Community and Economic Development.

	<u>Total Issued</u>	<u>Balance June 30, 2005</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance June 30, 2006</u>
Water Revenue					
Bond - FHA					
5.25% Interest	<u>130,000</u>	<u>64,510</u>	<u>-</u>	<u>8,063</u>	<u>56,447</u>

The following is a schedule of debt service charges to maturity:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006-2007	4,032	-	4,032
2007-2008	4,032	-	4,032
2008-2009	4,032	-	4,032
2009-2010	4,032	-	4,032
2010-2011	4,032	-	4,032
2012-2016	20,155	-	20,155
2017-2021	<u>16,132</u>	<u>-</u>	<u>16,132</u>
	<u>56,447</u>	<u>-</u>	<u>56,447</u>

LEAMINGTON TOWN
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 5 - CLASS "C" ROADS

The following is a schedule of receipts and disbursements in Class "C" Roads:

Balance - Beginning of Year		104,261
Receipts:		
State of Utah Allotments	9,316	
Interest	<u>2,085</u>	
Total Receipts		11,401
Disbursement		<u>(4,576)</u>
Balance - End of Year		<u><u>111,086</u></u>

NOTE 6 - RISK MANAGEMENT

Leamington Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and injuries and disasters. The Town has obtained insurance for liability and proper damage which the Town believes is sufficient for its needs.

Claims have not exceeded coverage in any of the last three calendar years.

**REQUIRED SUPPLEMENTARY
INFORMATION
"UNAUDITED"**

**LEAMINGTON TOWN
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

For The Fiscal Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>(Budgetary Basis)</u> <u>(See Note A)</u>	<u>Variance With</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes:				
General Property Taxes	4,150	4,302	4,317	15
Delinquent Property Taxes	-	311	325	14
General Sales and Use Taxes	16,000	16,000	18,686	2,686
Fee-In-Lieu	-	1,496	1,496	-
Total Taxes	<u>20,150</u>	<u>22,109</u>	<u>24,824</u>	<u>2,715</u>
Licenses and Permits	<u>1,000</u>	<u>1,000</u>	<u>689</u>	<u>(311)</u>
Intergovernmental Revenue:				
Class C Road	11,300	9,316	9,316	-
State Grant	-	15,359	15,359	-
Millard County Fire Grant	<u>6,550</u>	<u>7,323</u>	<u>7,416</u>	<u>93</u>
Total Intergovernmental Revenue	<u>17,850</u>	<u>31,998</u>	<u>32,091</u>	<u>93</u>
Miscellaneous Revenue:				
Interest	-	190	1,600	1,410
Rents and Concessions	300	300	340	40
Miscellaneous	-	-	16,446	16,446
Use of Fund Balance	<u>-</u>	<u>29,906</u>	<u>-</u>	<u>(29,906)</u>
Total Miscellaneous Revenue	<u>300</u>	<u>30,396</u>	<u>18,386</u>	<u>(12,010)</u>
Total Revenues	<u>39,300</u>	<u>85,503</u>	<u>75,990</u>	<u>(9,513)</u>
Expenditures:				
General Government:				
Administration	7,916	13,716	13,126	590
Professional Services	-	102	97	5
Elections	<u>300</u>	<u>1,134</u>	<u>1,134</u>	<u>-</u>
Total General Government	<u>8,216</u>	<u>14,952</u>	<u>14,357</u>	<u>595</u>

Continued

**LEAMINGTON TOWN
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

For The Fiscal Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis) (See Note A)</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Expenditures (Continued):				
Public Safety:				
Fire Department	<u>6,550</u>	<u>6,550</u>	<u>19,695</u>	<u>(13,145)</u>
Highway and Public Improvements:				
Repairs and Maintenance	<u>-</u>	<u>-</u>	<u>157</u>	<u>(157)</u>
Street Lights	<u>3,470</u>	<u>4,050</u>	<u>4,418</u>	<u>(368)</u>
Total Highways and Public Improvements	<u>3,470</u>	<u>4,050</u>	<u>4,575</u>	<u>(525)</u>
Culture and Recreation:				
Recreation	<u>2,200</u>	<u>2,200</u>	<u>12,181</u>	<u>(9,981)</u>
Parks	<u>13,080</u>	<u>6,446</u>	<u>6,042</u>	<u>404</u>
Cemetery	<u>270</u>	<u>505</u>	<u>626</u>	<u>(121)</u>
Leamington Museum	<u>1,200</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Culture and Recreation	<u>16,750</u>	<u>9,151</u>	<u>18,849</u>	<u>(9,698)</u>
Transfers and Other Uses:				
Transfers Out	<u>-</u>	<u>30,000</u>	<u>40,634</u>	<u>(10,634)</u>
Budgeted Increase in Fund Balance	<u>4,314</u>	<u>20,800</u>	<u>-</u>	<u>20,800</u>
Total Transfers and Other Uses	<u>4,314</u>	<u>50,800</u>	<u>40,634</u>	<u>10,166</u>
Total Expenditures	<u>39,300</u>	<u>85,503</u>	<u>98,110</u>	<u>(12,607)</u>
Excess Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>(22,120)</u>	<u>(22,120)</u>
Fund Balance - Beginning	<u>170,548</u>	<u>170,548</u>	<u>170,548</u>	<u>-</u>
Fund Balance - Ending	<u>170,548</u>	<u>170,548</u>	<u>148,428</u>	<u>(22,120)</u>

**LEAMINGTON TOWN
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

For The Fiscal Year Ended June 30, 2006

Budgetary Comparison Schedules:

The Budgetary Comparison Schedules presented in this section of the report are for the Town's General Fund.

Budgeting and Budgetary Control:

Budgets for the General Fund are legally required and are prepared and adopted on the modified accrual basis of accounting.

Original budgets represent the revenue estimates and spending authority authorized by the Town Board prior to the beginning of the year. Final budgets represent the original budget amounts plus any amendments made to the budget during the year by the Board through formal resolution. Final budgets do not include unexpended balances from the prior year because such balances automatically lapse to unreserved fund balance at the end of each year.